IN THE HIGH COURT OF JUDICATURE, ANDHRA PRADESH
AT HYDERABAD

(Special Original Jurisdiction)

WEDNESDAY, THE SIXTEENTH DAY OF JUNE
TWO THOUSAND AND FOUR

PRESENT

THE HON'BLE SRI DEVINDER GUPTA,THE CHIEF JUSTICE

and
THE HON'BLE MS JUSTICE G.ROHINI

WRIT PETITION NO : 12050 of 2003

Between:

Sri Rayalaseema Power constructions rep.by Managing Partner,Y.Bali Reddy
Flat NO.301 Sriniketan Apartments, Ameerpet,Hyd.

..... PETITIONER

AND

1. Union of India, rep.by its Secretary, Ministry of law, New Delhi.

2 Reserve Bank of India, rep.by its Dy.Governor, Mumbai.

3 Reserve Bank of India, rep.by its Dy.General Manager, Saifabad, Hyderabad.

4. The Prudential cooperative Bank Ltd., rep. by its Asst.General Manager&Authorised officer, R.P. Road,

Secunderabad.

5. The Prudentail cooperative Bank Ltd., by its Administrator,R.P.Road,Sec'bad.

.....RESPONDENT(S)

Petition under Article 226 of the Constitution of India praying that in the circumstances stated in the Affidavit filed herein the High Court will be pleased to issue a writ, order or direction and more particularly one in the nature of writ of mandamus declaring the Securitisaiton and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 especially sections 13,15 and 34 of the said Act as being arbitrary, illegal and violative of Article 14 of the Constitution of India and consequently set aside the notice No.PCB/RP/AR/ESI/296/2003- 04 --

EM/27/3 dated 15-4-2003 issued by the fourth respondent.

For the Petitioner: MR.K.PRABHAKAR

For the Respondent No. 1: Mr.A. Rajasekhara Reddy, S.C. for Central Government.

For the Respondents 2 and 3: Mr.K. Srinivasa Murthy

For the Respondent Nos.4 and 5: MR.S.Ashok Anand Kumar

AND

W.P.M.P. No.14982 of 2003

Between:

Sri Rayalaseema Power constructions rep.by Managing Partner,Y.Bali Reddy Flat NO.301 Sriniketan Apartments, Ameerpet,Hyd.

..... PETITIONER

AND

2. Union of India, rep.by its Secretary, Ministry of law, New Delhi.

2 Reserve Bank of India, rep.by its Dy.Governor, Mumbai.

3 Reserve Bank of India, rep.by its Dy.General Manager, Saifabad, Hyderabad.

4. Prudential cooperative Bank Ltd., rep. by its Asst.General Manager&Authorised Officer, R.P. Road, Secunderabad.

5. Prudentail cooperative Bank Ltd., by its Administrator,R.P.Road,Sec'bad.

.....RESPONDENT(S)

(Respondent No.1 not necessary)

For the reasons stated in the affidavit filed in support of the writ petition, it is prayed that this Hon'ble Court may be pleased to stay all further proceedings, pursuant to the 4th respondent's Notice No.PCB/RP/AR/ESI/296/03, dated 15.4.2003, pending disposal of the above writ petition.

For the Petitioner: MR.K.PRABHAKAR

For the Respondent No. 1: Mr.A. Rajasekhara Reddy, S.C. for Central Government.

For the Respondents 2 and 3: Mr.K. Srinivasa Murthy

For the Respondent Nos.4 and 5: MR.S.Ashok Anand Kumar

The Court Made the Following Oral Order: (per Hon'ble the Chief Justice)

1. In view of the decision rendered by the Hon'ble Supreme Court in Transfer Case (Civil) No.92-95 of 2002, dated 8th April, 2004 [MARDIA CHEMICALS LTD v UNION OF INDIA & ORS] upholding the constitutional validity of the provisions of the Securitisation And Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002, barring sub-section (2) of Section 17 of the Act, which was declared as ultra vires of Article 14 of the Constitution of India, this petition deserves to be decided in terms of the said decision. The Supreme Court in MARDIA CHEMICALS case has held that before taking action by the Bank under the provisions of the Act, a notice of 60 days is required to be given by the bank and after the measures under Section 13 (2) of the Act have been taken, mechanism has been provided under Section 17 of the Act to approach Debts Recovery Tribunal. Supreme Court has further held thus:

"1. Under sub-section (2) of Section 13 it is incumbent upon the secured creditor to serve 60 days notice before proceedings to take any of the measures as provided under sub-section (4) of Section 13 of the Act. After service of notice, if the borrower raises any objection or places facts for consideration of the secured creditor, such reply to the notice must be considered with due application of mind and the reasons for not accepting the objections, howsoever brief they may be, must be communicated to the borrower. In connection with this conclusion we have already held a discussion in the earlier part of the judgment. The reasons so communicated shall only be for the purposes of the information/knowledge of the borrower without giving rise to any right to approach the Debt Recovery Tribunal under Section 17 of the Act, at that stage.

2. As already discussed earlier, on measures having been taken under sub-section (4) of Section 13 and before the date of sale/auction of the property it would be open for the borrower to file an appeal (petition) under Section 17 of the Act before the Debt Recovery Tribunal.

3. That the Tribunal in exercise of its ancillary powers shall have jurisdiction to pass any stay/interim order subject to the condition as it may deem fit and proper to impose.

4. In view of the discussion already held on this behalf, we find that the requirement of deposit of 75% of amount claimed before entertaining an appeal (petition) under Section 17 of the Act is an oppressive, onerous and arbitrary condition against all the canons of reasonableness. Such a condition is invalid and it is liable to be struck down.

5. As discussed earlier in this judgment, we find that it will be open to maintain a civil suit in civil court, within the narrow scope and on the limited grounds on which they are permissible, in the matters relating to an English mortgage enforceable without intervention of the court."

2 . In view of the decision of the Supreme Court upholding constitutional validity of the offending provisions of the Act, we dismiss the writ petition thereby reserving liberty to the petitioner to work out his/its remedies as provided under the Act including filing of appeal under Section 17 of the Act within the period of limitation prescribed therefor, to be counted from today.

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3 . In view of the dismissal of the writ petition, the interim directions stand vacated and the WPMP stands disposed of as such.

ASSISTANT REGISTRAR

// TRUE COPY//

SECTION OFFICER

To

1. The Secretary, Union of India, Ministry of Law, New Delhi.
2 The Deputy governor, Reserve Bank of India, Mumbai.

3 The Deputy General Manager, Reserve Bank of India, Saifabad, Hyderabad.

4. The Assistant General Manager & Authorised Officer,

Prudential Cooperative Bank Ltd., R.P. Road, Secunderabad.

5. The Administrator,

Prudential Co-operative Band Ltd.,

Government of A.P., Hyderabad.

R.P. Road Branch, R.P. Road,

Secunderabd.

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